



*Remarks of*

**SANDY K. BARUAH**

*Acting Assistant Secretary of Commerce for Economic Development*

**INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL (IEDC)**

**2005 ANNUAL CONFERENCE**

*"Federal Update" General Session Panel*

*Tuesday, September 27, 2005—3:15pm to 4:30pm*

Thank you Gail...I'm pleased to be here with some of my federal friends.

I've known Sven and Don for some time now – and we have a habit of running into each other at these types of events. I look forward to their remarks – and Judith's as well.

As Gail mentioned, the President has nominated me to serve as the Assistant Secretary of Commerce for Economic Development.

Many of you know that the previous Assistant Secretary, David Sampson, has been elevated to the Deputy Secretary position at Commerce and if I am confirmed, I know have big shoes to fill.

Just to be nominated by the President is a big honor, and if you don't believe me, just ask my mom.

This is a panel discussion entitled "Federal Update", so to honor the plans of the conference organizers, let me take off my "nominee" hat, and put on my "chief of staff and deputy assistant secretary" hat and hit upon some of the key issues that EDA is working on that may be of interest to you.

First, of course, is Hurricane Katrina – and it's slightly less impactful sister, Rita.

Like all the federal agencies represented here today, the Commerce Department has mobilized to help respond to the wide-spread destruction in the Gulf Coast.

Immediately after the hurricane passed, EDA began to look under rocks to determine how many grant dollars we could scrape together at the end of the fiscal year to send to the area.

EDA found \$9 million to dedicate to Louisiana, Mississippi, and Alabama for purposes of immediate medium- and long-term revitalizing planning.

These funds will be used by the governors of the three states to increase their strategic planning capability – either by bulking up their own planning efforts, or by hiring the best and brightest experts and consultants to help develop the blueprints for the rebuilding of the Gulf Coast.

This type of strategic planning is critically important because as the President says, we should use this tragic event as an opportunity to rebuild not just what was there before, but to rebuild smarter and better than before.

Let's make decisions in the Gulf that, at the end of the day, are better for our environment, better for our disaster readiness, better for our economic growth, better for the quality of life of those who call the region home, and to do all this in a way that makes the most of the public dollars going to rebuild these hard hit areas.

Of course, out of this tragic event comes the stories of compassion and bravery. Neighbor helping neighbor. Stranger helping fellow stranger. America's corporate world – folks like Wal-Mart, FedEx, and Home Depot, really stepped to the plate and have been a major part of the recovery effort.

In this spirit, I am very pleased to announce that EDA will be providing a special grant to IEDC to allow your membership to deliver technical assistance to the Gulf Coast. The funds will be used to cover travel expenses and to provide stipends for the volunteers who take on this important work. I am pleased that IEDC is committed to helping our neighbors in the Gulf Coast.

I applaud your effort and I am pleased that EDA can help make this happen.

While the hurricane and its aftermath have been the biggest national story, there is an exciting sub-plot developing regarding EDA's new regulations. I've heard a great deal about how EDA is trying shut down the districts, fund private companies, and how EDA does not value planning.

Obviously, I've found all this very interesting. If this were a television show it would resemble a cross between the show "Alias" where nothing is quite what it seems, and that new show "Lost" where nobody seems to know where they are.

Let me start with this: Every time I've talked to someone who wants to complain about EDA's regs, I ask them the following question: Have you actually read the regulations? I mean really read. Not a summary of the regs prepared by some organization, or some analysis created by another organization – but the actual regulations as written by EDA. To date, I have not found one person who can answer “yes” to that question.

So, let's talk about EDA regulations. They've only given me 7 minutes before I get the hook, so let me hit the highlights – most frequently misunderstood aspects:

1. Administrative Costs. There is an urban legend growing that districts and planning organizations will no longer be allowed to use EDA planning funds for administrative purposes. This is false.

EDA's new regulations simply say any administrative costs you use EDA funds for must be related to either the development or implementation of a Comprehensive Economic Development Strategy.

The CEDS is the EDA signature piece and of course the key reason EDA law created the district system back in the 1960's.

So, administrative costs are still covered, as long as they are being used in a manner consistent with your CEDS. If it's important, it should be in the CEDS. If it's not important, you are free to continue to engage in that activity, but you can't charge those administrative costs to EDA.

2. Use of Consultants and Outsourcing. Another story that some are seemingly purposely trying to promote is that districts and planning organizations will be forced to use consultants, or will be simply "pass through" funds to some private sector entity.

This is false – and silly. What EDA's regulations now allow is for districts to – at their choice – hire an expert or consultant to help them with their planning, CEDS development and CEDS implementation if they so choose.

It's an added option that did not exist before – it is NOT a requirement. It seems to us that not all districts have the same capabilities, and needs change over time. Why not allow the option for a district to hire a consultant to help them out with a particular issue?

3. EDA's Authority to Eliminate Districts. This is another good urban myth.

Some have claimed that EDA regulations will allow for the wholesale elimination of economic development districts. First, this is false and second, why would we want to do that?

The change we have made is to clarify that the districts are to be either developing or implementing a CEDS. Frankly, this is not much different from EDA's current regulations. If an organization is not working to either develop a CEDS or implement a CEDS, then we are forced to ask ourselves, what are they doing? Now, let me make it clear – we are not talking about results or the effectiveness of a CEDS, but simply are they executing the plan outlined in the CEDS?

4. Ongoing Planning Support. Some have claimed that EDA will now only make “one time” awards for planning. This is false.

EDA will continue to provide yearly support for planning. EDA will review and evaluate a planning organization or district's progress in implementing its comprehensive strategy every three years.

As long as progress is being made towards either the development or implementation of that strategy, the district can receive additional funds.

Again, we are not talking about the success of the strategy.

We understand that circumstances change and not all strategies achieve the intended results. But what we do expect is that districts do what they say they are doing, which is either developing a strategy, or implementing that strategy.

5. Board Participation. Many folks have complained about EDA's stand on board participation. Let me say this: board membership is typically a function of state law, not federal law, and our regs not only respect that, we make this clearer. We said to Congress during the two years we worked on EDA's reauthorization that we would promote market-based and private sector-led strategies.

At the end of the day, development strategies must be led by the private sector – that's where the growth comes from. So we think we've been true to the intent of our reauthorization language.

Having said that, let me say that we've heard the concerns expressed on this issue loud and clear. Frankly, this is the one issue when we sit down and talk to folks that even after we've told our side of the story they are still skeptical.



Most of the other issues that have been raised regarding EDA's regs have been addressed quite nicely when EDA staff have meet with Hill staff.

But on this issue, we have not been so fortunate. So let me say this again: we hear those concerns. We are in a public comment period and we are taking public comment very seriously.

While we are committed to advancing the President's agenda of private-sector-led development, accountability and results, we also want to have a set of regulations that everyone can agree on. You, me, Capitol Hill, the Office of Management and Budget. So, stay tuned. Film at 11.

With that, my time is up – past up in fact. Let me turn the program over to my federal colleagues and I look forward to any questions you might have.